

CITY OF GRUNDY CENTER, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2020

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City of Grundy Center
Officials
(Before January 1, 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Al Kiewiet	Mayor	Jan 2020
Jason Kuester	Mayor Pro Tem	Jan 2020
Janetta Miller	Council Member	Jan 2020
Amanda Grineski	Council Member	Jan 2020
Dave Stefl	Council Member	Jan 2022
Chad Hamann	Council Member	Jan 2022
Kristy Sawyer	City Clerk/Treasurer	Jan 2020
Seth Schroeder	City Attorney	Jan 2020

(After January 1, 2020)

Al Kiewiet	Mayor	Jan 2022
Dave Stefl	Mayor Pro Tem	Jan 2022
Chad Hamann	Council Member	Jan 2022
Jason Kuester	Council Member	Jan 2024
Janetta Miller	Council Member	Jan 2024
Amanda Grineski	Council Member	Jan 2024
Kristy Sawyer	City Clerk/Treasurer	Jan 2021
Seth Schroeder	City Attorney	Jan 2021

City of Grundy Center

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:
City of Grundy Center, Iowa

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the discretely presented component unit, Grundy Center Municipal Utilities, which represents 100 percent of the receipts, disbursements and net position of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely upon the reports of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Mayor and
Members of City Council
City of Grundy Center, Iowa
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I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Grundy Center as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial statements for the three years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed a qualified opinion on the business type activities due to the omission of the Grundy Center Municipal Utilities (GCMU) from the City's financial statements and unmodified opinions on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information for the two years ended June 30, 2012 and June 30, 2011, and a qualified opinion on the business type activities, each major enterprise fund and the aggregate remaining enterprise fund information and an adverse opinion on the GCMU enterprise fund due to the omission of GCMU from the City's financial statements and unmodified opinions on the governmental activities, each major governmental fund and the aggregate remaining governmental fund information for the year ended June 30, 2013. These financial statements were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2018 (which are not presented herein) were audited by another auditor who expressed a qualified opinion on the business type activities, each major enterprise fund and the aggregate remaining enterprise fund information and an adverse opinion on the GCMU enterprise fund due to the omission of GCMU from the City's financial statements and unmodified opinions on the governmental activities, each major governmental fund and the aggregate remaining governmental fund information on those financial statements for the year ended June 30, 2014, and unmodified opinions for the four years ended June 30, 2018, which were prepared on the basis of cash receipts and disbursements. I previously audited financial statements for the year ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statement which were prepared on the basis of cash receipts and disbursements. The supplementary information included on pages 32 through 37, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of

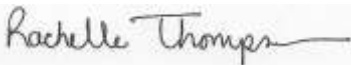
To the Honorable Mayor and
Members of City Council
City of Grundy Center, Iowa
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the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, management's discussion and analysis, the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of city contributions on pages 5 through 10 and 27 through 31, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 23, 2020 on my consideration of the City of Grundy Center's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grundy Center's internal control over financial reporting and compliance.



RACHELLE K. THOMPSON, CPA
Hampton, Iowa

December 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grundy Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 7.2%, or approximately \$209,000, from fiscal year 2019 to fiscal year 2020. This was due to increased CDBG grant funds.
- Disbursements of the City's governmental activities increased 17.9%, or approximately \$506,000, in fiscal year 2020 from fiscal year 2019, due to increases in public safety and capital projects. Public safety disbursements increased by approximately \$213,000, and culture and recreation and capital projects disbursements increased approximately \$91,000 and \$346,000, respectively.
- The City's total cash basis net position decreased .8%, or approximately \$36,000, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities decreased approximately \$214,000, and the cash basis net position of the business type activities increased approximately \$178,000. The decrease in the governmental balance can be attributed to payment of capital project costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a cash basis statement of activities and net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and nonmajor enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The cash basis statement of activities and net position reports information which helps answer this question.

The cash basis statement of activities and net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The cash basis statement of activities and net position is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the waterworks, the sanitary sewer system, electric and garbage. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's enterprise funds. The City has no internal service funds. Enterprise funds are used to report business type activities. The City maintains nine enterprise funds to provide separate information for the Water, Water Reserve, Sewer, Sewer Reserve, Sanitation, Sanitation Reserve, Ambulance, Ambulance Reserve and Storm Sewer Funds.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased during FY20, from \$2,181,771 to \$1,967,672. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts		
Charges for service	\$ 104,109	\$ 139,674
Operating grants, contributions and restricted interest	482,704	514,155
Capital grants, contributions and restricted interest	548,103	200,561
General receipts		
Property tax, including tax increment financing	1,545,925	1,559,520
Local option sales tax	247,723	243,420
Commercial/industrial tax replacement	30,743	31,176
Unrestricted interest on investments	88,514	46,929
Other general receipts	76,091	179,207
Total Receipts	3,123,912	2,914,642
Disbursements:		
Public safety	678,930	466,066
Public works	565,490	649,193
Health and social services	-	550
Culture and recreation	557,386	466,441
Community and economic development	196,713	201,089
General government	307,619	322,432
Debt service	366,470	406,967
Capital projects	665,403	319,087
Total Disbursements	3,338,011	2,831,825
Change in Cash Basis Net Position	(214,099)	82,817
Cash Basis Net Position, Beginning of Year	2,181,771	2,098,954
Cash Basis Net Position, End of Year	\$ 1,967,672	\$ 2,181,771

The City's total receipts for governmental activities increased 7.2%, or approximately \$209,000, over the prior year. The total cost of all programs and services increased approximately \$506,000, or 17.9%, with no new programs added this year. The increase in total costs can be attributed to the Downtown Façade Renovation Project, the Upper Story Housing Project and Wastewater Improvement Project.

The cost of all governmental activities this year was approximately \$3.3 million compared to approximately \$2.8 million last year. However, as shown in the cash basis statement of activities and net position on page 11, the amount taxpayers ultimately financed for these activities was approximately \$2.2 million because some of the cost was paid by those directly benefiting from the

programs (approximately \$104,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,031,000). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$854,000 to approximately \$1.135 million, principally due to an increase in CDBG grant receipts.

Changes in Cash Basis Net Position of Business-Type Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts		
Charges for service		
Water	\$ 596,500	\$ 571,950
Sewer	502,517	481,899
Storm Sewer	52,176	53,615
Sanitation	295,191	283,017
Ambulance	537,844	577,908
General receipts		
Other general receipts	44,869	15,351
Total Receipts	2,029,097	1,983,740
Disbursements:		
Water	540,135	606,821
Sewer	478,648	324,496
Storm Sewer	37,630	36,263
Sanitation	295,416	271,386
Ambulance	498,928	516,543
Total Disbursements	1,850,757	1,755,509
Change in Cash Basis Net Position	178,340	228,231
Cash Basis Net Position, Beginning of Year	2,392,988	2,164,757
Cash Basis Net Position, End of Year	\$2,571,328	\$ 2,392,988

Total business type activities receipts for each of the past two fiscal year were approximately \$2.0 million. The cash balance increased approximately \$178,000 over the prior year. Total disbursements for the fiscal year increased 5.4%, or approximately \$95,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grundy Center completed the year, its governmental funds reported a combined fund balance of \$1,967,671, a decrease of \$214,100 from last year's total of \$2,181,771. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$273,608 over the prior year to \$579,130. This decrease was primarily due to an increase in expenses for an additional police officer and completion of aquatic center repairs.
- The Special Revenue, Road Use Tax (RUT) Fund cash balance increased \$1,470 to \$541,409. The increase was due to costs being slightly less than receipts.
- The Special Revenue, Employee Benefits Fund cash balance increased \$140,345 to \$144,518. The increase was due to health savings account funds were less than budgeted.
- The Capital Projects Fund cash balance decreased \$61,843 over the previous year. The decrease was the result of capital project disbursements on the Downtown Façade, Upper Story Housing and Wastewater Improvement Projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$436,487 to \$135,347 due primarily to a \$500,000 transfer to the Enterprise, Water Reserve Fund for future water system improvements.
- The Enterprise, Water Reserve Fund cash balance increased \$500,000 to \$669,099 due to the transfer from the Enterprise, Water Fund.
- The Enterprise, Sewer Fund cash balance decreased \$389,873 to \$113,113 due primarily to a \$500,000 transfer to the Enterprise, Sewer Reserve Fund for future sewer improvements.
- The Enterprise, Sewer Reserve Fund cash balance increased \$433,680 to \$496,901 due primarily to the transfer from the Enterprise, Sewer Fund.
- The Enterprise, Sanitation Fund cash balance increased \$24,158 to \$290,845 due to an increase in rate increases for residential and commercial solid waste collection and decrease in expenses due to a change in contractor.
- The Enterprise, Ambulance Fund cash balance decreased by \$364,398 to \$138,298 due primarily to a \$400,000 transfer to the Enterprise, Ambulance Reserve Fund for future equipment purchases.
- The Enterprise, Ambulance Reserve Fund cash balance increased by \$406,314 to \$441,426 due primarily to the transfer from the Enterprise, Ambulance Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 4, 2020 and resulted in an increase in intergovernmental receipts and various program disbursements. Reasons for the amendment include an increase in disbursements for officer wages, academy cost and uniforms; fire truck purchase; streetlight signals; HVAC repairs at the library and health insurance change; pool painting project; new 'Welcome' signage; and Upper Elementary consultant fees, Façade Project and Mill Street Reconstruction Project costs. Revenues were amended to include additional CDBG grant funds received.

The City's receipts were approximately \$161,000 less than budgeted. This was primarily due to the grant funds were not received, summer recreation program was not held due to COVID, electricity

reimbursement were low, limited aquatic center admissions due to COVID and building permit receipts were lower.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$2,179,000 of bonds and other long-term debt outstanding, compared to \$2,484,500 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2020	2019
General obligation notes and bonds	\$ 1,222,000	\$ 1,518,500
Urban renewal tax increment financing revenue bonds	-	30,000
Loan guarantee	40,000	-
Interfund loans	130,000	90,000
Revenue bonds	787,000	846,000
Total	\$ 2,179,000	\$ 2,484,500

Debt decreased as a result of scheduled debt payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing debt of \$1,222,000 is significantly below its constitutional debt limit of \$4,694,375. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Grundy Center's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various City activities.

While completing this budget, the City felt the need to maintain the property tax levy as much as possible due to property tax rollbacks occurring within the State of Iowa. The current economy in Grundy Center has remained constant and new businesses are continually filling vacant buildings. The City plans to complete a large sanitary sewer upgrade project in 2021 and continues to plan for upgrades to the aging infrastructure underground. The City is in the beginning stages of a new housing addition to add 25 residential lots. The intent of the City Council is to grow reserve funds and hold the tax levy consistent on the amount of taxes due on a \$100,000 house similar to years past.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristy Sawyer, City Clerk/Treasurer, 703 F Avenue, Suite 1, Grundy Center, Iowa.

Basic Financial Statements

City of Grundy Center - Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit Grundy Center Municipal Utilities
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			
					Governmental Activities	Business Type Activities	Total	
Functions/Programs:								
Primary Government:								
Governmental Activities								
Public safety	\$ 678,930	\$ 6,538	\$ 56,375	\$ -	\$ (616,017)	\$ -	\$ (616,017)	\$ -
Public works	565,490	11,635	347,825	-	(206,030)	-	(206,030)	-
Culture and recreation	557,386	66,544	66,034	-	(424,808)	-	(424,808)	-
Community and economic development	196,713	-	12,470	548,103	363,860	-	363,860	-
General government	307,619	19,392	-	-	(288,227)	-	(288,227)	-
Debt service	366,470	-	-	-	(366,470)	-	(366,470)	-
Capital Projects	665,403	-	-	-	(665,403)	-	(665,403)	-
Total Governmental Activities	3,338,011	104,109	482,704	548,103	(2,203,095)	-	(2,203,095)	-
Business Type Activities								
Water	540,135	596,500	-	-	-	56,365	56,365	-
Sewer	478,648	502,517	-	-	-	23,869	23,869	-
Sanitation	295,416	295,191	-	-	-	(225)	(225)	-
Ambulance	498,928	537,844	-	-	-	38,916	38,916	-
Storm Sewer	37,630	52,176	-	-	-	14,546	14,546	-
Total Business Type Activities	1,850,757	1,984,228	-	-	-	133,471	133,471	-
Total	\$ 5,188,768	\$ 2,088,337	\$ 482,704	\$ 548,103	(2,203,095)	133,471	(2,069,624)	-
Component Unit:								
Grundy Center Municipal Utilities	\$ 7,528,367	\$ 7,207,458	\$ -	\$ -				\$ (320,909)
General Receipts								
Property and other city tax levied for:								
General purposes					1,075,792	-	1,075,792	-
Debt service					256,411	-	256,411	-
Tax increment financing					213,722	-	213,722	-
Local option sales tax					247,723	-	247,723	-
Commercial/industrial tax replacement					30,743	-	30,743	-
Unrestricted interest on investments					88,514	-	88,514	102,205
Miscellaneous					76,091	44,869	120,960	-
Total General Receipts					1,988,996	44,869	2,033,865	102,205
Change in Cash Basis Net Position					(214,099)	178,340	(35,759)	(218,704)
Cash Basis Net Position Beginning of Year					2,181,771	2,392,988	4,574,759	5,889,201
Cash Basis Net Position End of Year					\$ 1,967,672	\$ 2,571,328	\$ 4,539,000	\$ 5,670,497
Cash Basis Net Position								
Restricted:								
Expendable:								
Streets					\$ 541,409	\$ -	\$ 541,409	\$ -
Urban renewal purposes					173,326	-	173,326	-
Debt service					157,571	7,315	164,886	-
Capital projects					100,096	1,823,918	1,924,014	-
Other purposes					707,919	-	707,919	-
Unrestricted					287,351	740,095	1,027,446	5,670,497
Total Cash Basis Net Position					\$ 1,967,672	\$ 2,571,328	\$ 4,539,000	\$ 5,670,497

See notes to financial statements.

City of Grundy Center - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Governmental Funds
 As of and for the year ended June 30, 2020

		Special Revenue				
	General	Road Use Tax	Employee Benefits	Capital Projects	Nonmajor Governmental	Total
Receipts						
Property tax	\$ 788,199	\$ -	\$ 251,851	\$ -	\$ 276,416	\$ 1,316,466
Tax increment financing	-	-	-	-	213,722	213,722
Other city tax	11,401	-	2,675	-	250,946	265,022
Licenses and permits	17,976	-	-	-	-	17,976
Use of money and property	121,881	-	-	-	-	121,881
Intergovernmental	124,285	347,824	5,960	548,103	18,582	1,044,754
Charges for services	27,632	-	-	-	-	27,632
Miscellaneous	83,371	-	-	5,161	27,927	116,459
Total Receipts	1,174,745	347,824	260,486	553,264	787,593	3,123,912
Disbursements						
Operating:						
Public safety	568,315	-	109,794	-	821	678,930
Public works	133,843	346,354	85,293	-	-	565,490
Culture and recreation	487,154	-	43,600	-	26,632	557,386
Community and economic development	7,670	-	-	-	189,043	196,713
General government	269,085	-	36,454	-	2,080	307,619
Debt service	-	-	-	-	366,470	366,470
Capital projects	-	-	-	665,403	-	665,403
Total Disbursements	1,466,067	346,354	275,141	665,403	585,046	3,338,011
Excess (Deficiency) of Receipts Over (Under) Disbursements	(291,322)	1,470	(14,655)	(112,139)	202,547	(214,099)
Other Financing Sources (Uses)						
Transfers in	167,714	-	155,000	50,297	213,912	586,923
Transfers out	(150,000)	-	-	-	(436,923)	(586,923)
Total Other Financing Sources (Uses)	17,714	-	155,000	50,297	(223,011)	-
Change in Cash Balances	(273,608)	1,470	140,345	(61,842)	(20,464)	(214,099)
Cash Balances Beginning of Year	852,738	539,939	4,173	161,938	622,983	2,181,771
Cash Balances End of Year	\$ 579,130	\$ 541,409	\$ 144,518	\$ 100,096	\$ 602,519	\$ 1,967,672
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	\$ 541,409	\$ -	\$ -	\$ -	\$ 541,409
Urban renewal purposes	-	-	-	-	173,326	173,326
Debt service	-	-	-	-	157,571	157,571
Capital projects	-	-	-	100,096	-	100,096
Other purposes	291,779	-	144,518	-	271,622	707,919
Unassigned	287,351	-	-	-	-	287,351
Total Cash Basis Fund Balances	\$ 579,130	\$ 541,409	\$ 144,518	\$ 100,096	\$ 602,519	\$ 1,967,672

See notes to financial statements

City of Grundy Center - Statement of Cash Receipts, Disbursements and Changes in Cash Balances -- Enterprise Funds

As of and for the year ended June 30, 2020

	<u>Water</u>	<u>Water Reserve</u>	<u>Sewer</u>	<u>Sewer Reserve</u>	<u>Sanitation</u>	<u>Ambulance</u>	<u>Ambulance Reserve</u>	<u>Non major</u>	<u>Total</u>
Operating Receipts:									
Charges for Service	<u>\$ 596,500</u>	<u>\$ -</u>	<u>\$ 502,517</u>	<u>\$ -</u>	<u>\$ 294,397</u>	<u>\$ 513,433</u>	<u>\$ -</u>	<u>\$ 52,176</u>	<u>\$ 1,959,023</u>
Operating Disbursements:									
Business Type Activities	<u>540,135</u>	<u>-</u>	<u>402,728</u>	<u>-</u>	<u>295,416</u>	<u>490,321</u>	<u>-</u>	<u>39,745</u>	<u>1,768,345</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>56,365</u>	<u>-</u>	<u>99,789</u>	<u>-</u>	<u>(1,019)</u>	<u>23,112</u>	<u>-</u>	<u>12,431</u>	<u>190,678</u>
Non-Operating Receipts (Disbursements)									
Intergovernmental	-	-	-	-	794	12,490	11,921	-	25,205
Miscellaneous	7,148	-	10,338	-	24,383	-	3,000	-	44,869
Public safety	-	-	-	-	-	-	(8,607)	-	(8,607)
Debt service	-	-	-	-	-	-	-	(73,805)	(73,805)
Total Non-Operating Receipts (Disbursements)	<u>7,148</u>	<u>-</u>	<u>10,338</u>	<u>-</u>	<u>25,177</u>	<u>12,490</u>	<u>6,314</u>	<u>(73,805)</u>	<u>(12,338)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>63,513</u>	<u>-</u>	<u>110,127</u>	<u>-</u>	<u>24,158</u>	<u>35,602</u>	<u>6,314</u>	<u>(61,374)</u>	<u>178,340</u>
Other Financing Sources (Uses)									
Interfund loan payment received (paid)	-	-	-	10,000	-	-	-	(10,000)	-
Transfers in	-	500,000	-	500,000	-	-	400,000	76,320	1,476,320
Transfers out	(500,000)	-	(500,000)	(76,320)	-	(400,000)	-	-	(1,476,320)
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>500,000</u>	<u>(500,000)</u>	<u>433,680</u>	<u>-</u>	<u>(400,000)</u>	<u>400,000</u>	<u>66,320</u>	<u>-</u>
Change in Cash Balances	<u>(436,487)</u>	<u>500,000</u>	<u>(389,873)</u>	<u>433,680</u>	<u>24,158</u>	<u>(364,398)</u>	<u>406,314</u>	<u>4,946</u>	<u>178,340</u>
Cash Balances Beginning of Year	<u>571,834</u>	<u>169,099</u>	<u>502,986</u>	<u>63,221</u>	<u>266,687</u>	<u>502,696</u>	<u>35,112</u>	<u>281,353</u>	<u>2,392,988</u>
Cash Balances End of Year	<u><u>\$ 135,347</u></u>	<u><u>\$ 669,099</u></u>	<u><u>\$ 113,113</u></u>	<u><u>\$ 496,901</u></u>	<u><u>\$ 290,845</u></u>	<u><u>\$ 138,298</u></u>	<u><u>\$ 441,426</u></u>	<u><u>\$ 286,299</u></u>	<u><u>\$ 2,571,328</u></u>
Cash Basis Fund Balances									
Restricted for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,315	\$ 7,315
Restricted for capital projects	-	669,099	-	496,901	-	-	441,426	216,492	1,823,918
Unrestricted	135,347	-	113,113	-	290,845	138,298	-	62,492	740,095
Total Cash Basis Fund Balances	<u><u>\$ 135,347</u></u>	<u><u>\$ 669,099</u></u>	<u><u>\$ 113,113</u></u>	<u><u>\$ 496,901</u></u>	<u><u>\$ 290,845</u></u>	<u><u>\$ 138,298</u></u>	<u><u>\$ 441,426</u></u>	<u><u>\$ 286,299</u></u>	<u><u>\$ 2,571,328</u></u>

See notes to financial statements.

City of Grundy Center – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Grundy Center is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, sanitation, storm sewer and sanitation utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Grundy Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Grundy Center (the primary government), and its component unit, Grundy Center Municipal Utilities (GCMU). This component unit is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Complete financial statements of GCMU can be obtained from its administrative office.

Discretely Presented Component Unit

Grundy Center Municipal Utilities (GCMU) – The City established a municipal utility by resolution on May 27, 1941. The City, Mayor and Council appoint the three member governing body which in accordance with criteria set forth by the Governmental Accounting Standards Board meets the definition of a component unit which should be discretely presented. GCMU's financial data is reported in a separate column in the cash basis statement of activities and net position to emphasize that it is legally separate from the City. GCMU is legally separate from the City, but it is financially accountable to the City. The operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Grundy County Landfill Commission and the Sports Recreation Complex in conjunction with the Grundy Center Community School District.

Basis of Presentation

Government-wide Financial Statement – The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

City of Grundy Center – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The cash basis statement of activities and net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and Enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The *Special Revenue, Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The *Special Revenue, Employee Benefits Fund* is used to account for property tax and other receipts to be used for payment of employee benefits.

The *Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major Enterprise funds:

The *Enterprise, Water Fund* accounts for the operation and maintenance of the City's water system.

The *Enterprise, Water Reserve Fund* accounts for excess funds restricted for future improvements.

The *Enterprise, Sewer Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system as well as transfers to the sewer sinking fund for payment of principal and interest on revenue bonds.

City of Grundy Center – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The *Enterprise, Sewer Reserve Fund* accounts for excess funds restricted for future improvements.

The *Enterprise, Sanitation Fund* accounts for the garbage collection services contracted by the City.

The *Enterprise, Ambulance Fund* accounts for the operation and maintenance of the City's ambulance enterprise.

The *Enterprise, Ambulance Reserve Fund* accounts for excess funds restricted for future improvements.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a Enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

City of Grundy Center – Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

Estimates and Assumptions

The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020, the City had the following investments:

Investment	Carrying Amount	Fair Value
Certificates of Deposit	\$ 1,562,369	\$ 1,562,369

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the certificates of deposit was determined using other observable inputs. (Level 2 inputs)

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Grundy Center – Notes to the Financial Statements

(3) Long-Term Debt

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities					
General Obligation Bonds	\$ 1,518,500	\$ -	\$ 296,500	\$ 1,222,000	\$ 306,500
Urban Renewal Tax Increment					
Financing Revenue Bonds	30,000	-	30,000	-	-
Loan Guarantee	-	40,000	-	40,000	40,000
Governmental activities total	\$ 1,548,500	\$ 40,000	\$ 326,500	\$ 1,262,000	\$ 346,500
Business type activities					
Sewer Revenue Notes	\$ 846,000	\$ -	\$ 59,000	\$ 787,000	\$ 61,000

General Obligation Notes and Bonds

A summary of the City's June 30, 2020 general obligation notes and bonds payable is as follows:

	General Obligation Notes and Bonds										
	Corporate Purpose & Refunding Series 2010A			Corporate Purpose & Refunding Series 2013A			Refunding, Series 2014A				
Year Ending June 30,	Issued November 1, 2010			Issued November 4, 2013			Issued June 12, 2014			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2021	3.40%	\$ 30,000	\$ 5,978	3.00%	\$ 42,500	\$ 5,171	2.15%	\$ 234,000	\$ 19,071	\$ 306,500	\$ 30,220
2022	3.40%	30,000	4,958	3.00%	42,500	3,878	2.15%	240,000	14,040	312,500	22,876
2023	3.75%	35,000	3,938	3.00%	42,500	2,585	2.15%	99,000	8,880	176,500	15,403
2024	3.75%	35,000	2,625	3.00%	42,500	1,296	2.15%	102,000	6,751	179,500	10,672
2025	3.75%	35,000	1,312		-	-	2.15%	105,000	4,558	140,000	5,870
2026		-	-		-	-	2.15%	107,000	2,301	107,000	2,301
		\$ 165,000	\$ 18,811		\$ 170,000	\$ 12,930		\$ 887,000	\$ 55,601	\$ 1,222,000	\$ 87,342

In November 2010, the City issued \$670,000 general obligation corporate purpose and refunding bonds with interest rates ranging from 3.40% to 3.75% per annum. The bonds were issued to pay the costs of constructing street and storm sewer improvements and advance refund general obligation corporate purpose notes, series 2002. During the year ended June 30, 2020, the City paid \$30,000 of principal and \$6,998 of interest on the bonds.

In November 2013, the City issued \$425,000 of general obligation capital loan notes, series 2013A with an interest rate of 3.00% per annum. The notes were issued for the purpose of paying a portion of the costs of constructing sidewalk improvements and installing street lighting and signalization improvements. During the year ended June 30, 2020, the City paid \$42,500 of principal and \$6,478 of interest on the notes.

The City issued \$1,500,000 of general obligation aquatic center bonds and \$1,200,000 of general obligation urban renewal aquatic center bonds in July 2007. The bonds were issued to pay the costs of construction, furnishing and equipping a new family aquatic center, carrying out a portion of the project as an urban renewal project. On June 12, 2014, the City advance refunded the portion of the bonds outstanding from fiscal year 2017 through 2026 by issuing \$1,549,000 general obligation refunding bonds, series 2014A, with an interest rate of 2.15% per annum. During the year ended June 30, 2020, the City paid \$224,000 of principal and \$23,887 of interest on the bonds.

City of Grundy Center – Notes to the Financial Statements

(3) Long-Term Debt

Urban Renewal Tax Increment Financing Revenue Bonds

In December 2010, the City issued \$260,000 of urban renewal tax increment financing (TIF) revenue bonds for the purpose of paying the costs of various construction and refurbishing projects within the urban renewal district and to fund an economic development grant to the Grundy Center Development Corporation. The bonds are payable solely from the TIF receipts generated by increased property values in the City's urban renewal district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. The bonds were paid in full at June 30, 2020. For the current year, interest paid and total TIF receipts were \$1,608 and \$213,722, respectively.

Revenue Bonds

A summary of the City's June 30, 2020 revenue bonds payable is as follows:

	Revenue Bonds							
	Sewer, Series 2008			Sewer, Series 2016				
Year	Issued February 26, 2008			Issued November 18, 2016				
Ending	Interest			Interest			Total	
June 30,	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest
2021	1.75%	\$ 36,000	\$ 5,618	1.75%	\$ 25,000	\$ 8,155	\$ 61,000	\$ 13,773
2022	1.75%	37,000	4,988	1.75%	25,000	7,718	62,000	12,706
2023	1.75%	38,000	4,340	1.75%	26,000	7,280	64,000	11,620
2024	1.75%	40,000	3,675	1.75%	27,000	6,825	67,000	10,500
2025	1.75%	41,000	2,975	1.75%	27,000	6,353	68,000	9,328
2026	1.75%	42,000	2,258	1.75%	28,000	5,880	70,000	8,138
2027	1.75%	43,000	1,523	1.75%	28,000	5,390	71,000	6,913
2028	1.75%	44,000	770	1.75%	29,000	4,900	73,000	5,670
2029		-	-	1.75%	29,000	4,393	29,000	4,393
2030		-	-	1.75%	30,000	3,885	30,000	3,885
2031		-	-	1.75%	30,000	3,360	30,000	3,360
2032		-	-	1.75%	31,000	2,835	31,000	2,835
2033		-	-	1.75%	32,000	2,293	32,000	2,293
2034		-	-	1.75%	32,000	1,733	32,000	1,733
2035		-	-	1.75%	33,000	1,173	33,000	1,173
2036		-	-	1.75%	34,000	595	34,000	595
		\$ 321,000	\$ 26,147		\$ 466,000	\$ 72,768	\$ 787,000	\$ 98,915

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$680,000 (Series 2008) and \$689,000 (Series 2016) of sewer revenue bonds issued in February 2008 and November 2016, respectively. Proceeds from the bonds provided financing for a portion of the cost of constructing improvements and extensions to the Municipal Sanitary Sewer System of the City. The Series 2008 and Series 2016 bonds are payable solely from sewer customer net receipts and are payable through 2028 and 2036, respectively. Annual principal and interest payments on the bonds are expected to require less than 25% of net receipts. The total principal and interest remaining to be paid on the Series 2008 and Series 2016 bonds is \$347,147 and \$538,768, respectively. For the current year, principal and interest paid on the Series 2008 and Series 2016 bonds were \$59,000 and \$14,805, respectively. Total customer net receipts in the Sewer Fund were \$99,789.

City of Grundy Center – Notes to the Financial Statements

(3) Long-Term Debt

The resolution providing for the issuance of the Series 2008 and Series 2016 sewer revenue bonds includes the following provisions:

1. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
2. Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
3. User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds due in the same year.

The City was in compliance with these provisions as of June 30, 2020.

(4) Interfund Loans

During the year ended June 30, 2015, the City has authorized a \$100,000 interfund loan with interest at 3.25% from Enterprise, Sewer Reserve fund resources to help finance the Enterprise, Storm Sewer Fund. The loan is to be repaid from collections of storm sewer receipts. In January 2018, a resolution was passed to forgive any and all interest associated with this loan. During the year ended June 30, 2020, a payment of \$10,000 was made and the ending balance was \$80,000 at June 30, 2020.

In November 2019, the City authorized a \$50,000 interfund loan with no interest from the Special Revenue, Road Use Tax Fund to the Capital Projects Fund to help pay engineering expenses on the Mill Street Reconstruction Project. The loan is to be repaid from tax increment financing receipts. There were no payments made during the year ended June 30, 2020.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

City of Grundy Center – Notes to the Financial Statements

(5) Pension Plan

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$95,028.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$365,918 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0063191%, which was an decrease of 0.000331% from its proportion measured as of June 30, 2018.

City of Grundy Center – Notes to the Financial Statements

(5) Pension Plan

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$120,031, \$109,135 and \$136,901, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
3Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Grundy Center – Notes to the Financial Statements

(5) Pension Plan

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 924,461	\$ 365,918	\$ (102,239)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$292,113 and plan members eligible for benefits contributed \$8,640 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Grundy Center and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants are eligible to participate at their own expense and must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2020, there were 18 active and no retired members covered by the benefit terms.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. Sick leave is also accumulated for subsequent use. Unused sick leave is forfeited upon termination, retirement, or death, except for employees with 15 years of service who are entitled to 20% of the value of their unused sick leave. These accumulations are not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, were as follows:

Type of Benefit	Amount
Vacation	\$ 73,700
Compensatory	13,900
Sick leave	<u>7,000</u>
Total	<u>\$ 94,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

City of Grundy Center – Notes to the Financial Statements

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue Local Option Sales Tax	<u>\$ 114,714</u>
Special Revenue Employee Benefits	General Special Revenue Emergency	65,000 <u>90,000</u> <u>155,000</u>
Special Revenue Community Betterment	Special Revenue Local Option Sales Tax	<u>114,712</u>
Debt Service	Special Revenue Urban Renewal Tax Increment	<u>99,200</u>
Capital Projects	General Special Revenue Local Option Sales Tax	32,000 <u>18,297</u> <u>50,297</u>
Enterprise Water Reserve	Enterprise Water	<u>500,000</u>
Sewer Reserve	Sewer	<u>500,000</u>
Sewer Sinking	Sewer Reserve	<u>76,320</u>
Ambulance Reserve	Ambulance	<u>400,000</u>
Total		<u>\$2,010,243</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Related Party Transactions

Grundy Center Municipal Utilities (GCMU), discrete component unit of the City, bills all utility services and collects all utility payments for the City. During the year ended June 30, 2020, GCMU charged the City \$11,415 for these services. During the year ended June 30, 2020, GCMU billed the City \$120,377 for the City's electric utilities and telephone services and issued a rebate back to the City in the amount of \$22,287. During the year ended June 30, 2020, the net amount paid to GCMU by the City of Grundy Center was \$109,505.

In addition, the City purchased approximately \$6,000 of medical supplies for the ambulance department from a pharmacy owned by a Council Member.

City of Grundy Center – Notes to the Financial Statements

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Development Agreements

The City currently has development agreements with eight local entities. The purpose of the agreements vary, however each agreement requires the City to pay the entity an amount of money annually, provided each entity is in compliance with the terms of their respective agreement. Below is a schedule of entities, purpose of agreements, payments made during the fiscal year from outstanding tax increment financing receipts, and the balance as of June 30, 2020.

Entity	Purpose of Agreement	2020 Payment	Remaining Balance
Elm	Purchase and improve property	\$ 1,264	\$ 65,714
Grundy Center Memorial Hospital	Operate and maintain hospital	10,000	47,000
Heavy Equipment Manufacturing	Rebuild after fire, maintain and operate	6,655	283,531
JESCO	Expand and maintain business operations	1,181	37,167
Van Wechel	Construct and maintain commercial Business	3,803	33,540
American Farm Equipment	Purchase and develop property	2,668	473,241
Brothers Market	Purchase and improve property	3,965	93,035
Heartland Coop	Capital improvements and Maintain property	---	200,000
Total		<u>\$ 29,536</u>	<u>\$1,233,228</u>

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

City of Grundy Center – Notes to the Financial Statements

(12) Tax Abatements

For the year ended June 30, 2020, \$62,912 of property tax was diverted from the City under urban renewal and economic development agreements.

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2020 as a result of any agreements entered into by other entities.

(13) Subsequent Events

Management has evaluated subsequent events through December 23, 2020, the date the financial statements were available to be issued.

In July 2020 the City Council approved issuing \$600,000 of general obligation street improvement bonds, and in November 2020, Council approved an additional \$1,235,000 of general obligation corporate purpose bonds. Bond proceeds will be used for financing the Mill Street Reconstruction Project.

(14) Commitments

The City Council has approved several contracts total approximately \$2 million for various projects including the Upper Story Housing project, a wastewater improvement project, and the Mill Street Reconstruction project. As of June 30, 2020, the remaining commitment on these contracts was approximately \$900,000.

Loan Guarantee

In June 2020, the City approved a resolution to guarantee a \$40,000 loan for the developer of the Upper Elementary Building renovation project. The developer has applied for state and historical tax credits and has partnered with the Grundy Center Historical Society in a fundraising campaign to finance the renovation project. The City has guaranteed the loan until fundraising, private donations and tax credits are received.

(15) Contingency

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

Other Information

City of Grundy Center - Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual – All Governmental Funds and Enterprise Funds

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,316,466	\$ -	\$ 1,316,466	\$ 1,341,794	\$ 1,341,794	\$ (25,328)
Tax increment financing	213,722	-	213,722	217,000	217,000	(3,278)
Other city tax	265,022	-	265,022	231,007	231,007	34,015
Licenses and permits	17,976	-	17,976	26,500	26,500	(8,524)
Use of money and property	121,881	-	121,881	120,500	120,500	1,381
Intergovernmental	1,044,754	25,205	1,069,959	1,071,152	1,367,555	(297,596)
Charges for services	27,632	1,959,023	1,986,655	1,802,900	1,802,900	183,755
Miscellaneous	116,458	44,869	161,327	184,200	207,200	(45,873)
Total Receipts	3,123,911	2,029,097	5,153,008	4,995,053	5,314,456	(161,448)
Disbursements:						
Public safety	678,930	8,607	687,537	512,300	705,800	18,263
Public works	565,490	-	565,490	569,684	597,084	31,594
Health and social services	-	-	-	1,000	1,000	1,000
Culture and recreation	557,386	-	557,386	482,385	549,775	(7,611)
Community and economic development	196,713	-	196,713	216,602	301,602	104,889
General government	307,619	-	307,619	266,570	266,570	(41,049)
Debt service	366,470	73,805	440,275	369,510	369,510	(70,765)
Capital projects	665,403	-	665,403	490,000	763,500	98,097
Business type activities	-	1,768,345	1,768,345	1,693,281	1,898,581	130,236
Total Disbursements	3,338,011	1,850,757	5,188,768	4,601,332	5,453,422	264,654
Excess (Deficiency) of Receipts Over (Under) Disbursements	(214,100)	178,340	(35,760)	393,721	(138,966)	103,206
Balances Beginning of Year	2,181,771	2,392,988	4,574,759	4,676,471	4,676,471	(101,712)
Balances End of Year	\$ 1,967,671	\$ 2,571,328	\$ 4,538,999	\$ 5,070,192	\$ 4,537,505	\$ 1,494

See accompanying independent auditor's report.

City of Grundy Center – Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$852,090. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

City of Grundy Center - Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Other Information

For the Last Six Years*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0063191%	0.0066498%	0.0066587%	0.0068036%	0.0059877%	0.0051412%
City's proportionate share of the net pension liability	\$ 365,918	\$ 420,813	\$ 443,557	\$ 428,175	\$ 295,820	\$ 203,897
City's covered payroll	\$ 931,000	\$ 887,000	\$ 822,900	\$ 854,600	\$ 799,900	\$ 707,100
City's proportionate share of the net pension liability as a percentage of its covered payroll	39.30%	47.44%	53.90%	50.10%	36.98%	28.84%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Grundy Center - Schedule of City Contributions
Iowa Public Employees' Retirement System
Other Information

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Satutorily required contribution	\$ 95,028	\$ 91,015	\$ 82,774	\$ 75,209	\$ 74,090	\$ 68,068	\$ 66,542	\$ 66,970	\$ 75,526	\$ 52,366
Contributions in relation to the statutorily required contributions ...	<u>(95,028)</u>	<u>(91,015)</u>	<u>(82,774)</u>	<u>(75,209)</u>	<u>(74,090)</u>	<u>(68,068)</u>	<u>(66,542)</u>	<u>(66,970)</u>	<u>(75,526)</u>	<u>(52,366)</u>
Contribution Deficiency (Excess) ...	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
City's covered payroll	\$ 984,500	\$ 931,000	\$ 887,000	\$ 822,900	\$ 854,600	\$ 799,900	\$ 707,100	\$ 723,200	\$ 847,700	\$ 626,400
Contributions as a percentage of covered payroll	9.65%	9.78%	9.33%	9.14%	8.67%	8.51%	9.41%	9.26%	8.91%	8.36%

See accompanying independent auditor's report.

City of Grundy Center - Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Grundy Center – Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - General Fund Accounts

As of and for the year ended June 30, 2020

	General Fund Accounts								
	General	D & D Program	Housing Rehab	Equipment Reserve- Public Works	Fire Equipment Reserve	Police Reserve	Tree Gift Trust	Visioning Grant	Total
Receipts									
Property tax	\$ 788,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 788,199
Other city tax	11,401	-	-	-	-	-	-	-	11,401
Licenses and permits	17,807	-	-	169	-	-	-	-	17,976
Use of money and property	121,881	-	-	-	-	-	-	-	121,881
Intergovernmental	80,537	-	-	-	43,748	-	-	-	124,285
Charges for service	27,632	-	-	-	-	-	-	-	27,632
Miscellaneous	67,309	-	-	5,555	10,238	269	-	-	83,371
Total Receipts	1,114,766	-	-	5,724	53,986	269	-	-	1,174,745
Disbursements									
Operating									
Public safety	395,815	-	-	-	172,500	-	-	-	568,315
Public works	133,843	-	-	-	-	-	-	-	133,843
Culture and recreation	487,154	-	-	-	-	-	-	-	487,154
Community and economic development	7,670	-	-	-	-	-	-	-	7,670
General	269,085	-	-	-	-	-	-	-	269,085
Total Disbursements	1,293,567	-	-	-	172,500	-	-	-	1,466,067
Excess (Deficiency) of Receipts Over (Under) Disbursements	(178,801)	-	-	5,724	(118,514)	269	-	-	(291,322)
Other Financing Sources (Uses)									
Transfers in	114,714	-	-	-	41,000	12,000	-	-	167,714
Transfers out	(150,000)	-	-	-	-	-	-	-	(150,000)
Total Other Financing Sources (Uses)	(35,286)	-	-	-	41,000	12,000	-	-	17,714
Change in Cash Balances	(214,087)	-	-	5,724	(77,514)	12,269	-	-	(273,608)
Cash Balances Beginning of Year	501,438	144	3,176	14,732	324,321	1,824	3,499	3,604	852,738
Cash Balances End of Year	\$ 287,351	\$ 144	\$ 3,176	\$ 20,456	\$ 246,807	\$ 14,093	\$ 3,499	\$ 3,604	\$ 579,130
Cash Basis Fund Balances									
Restricted for:									
Other purposes	\$ -	\$ 144	\$ 3,176	\$ 20,456	\$ 246,807	\$ 14,093	\$ 3,499	\$ 3,604	\$ 291,779
Unassigned	287,351	-	-	-	-	-	-	-	287,351
Total Cash Basis Fund Balances	\$ 287,351	\$ 144	\$ 3,176	\$ 20,456	\$ 246,807	\$ 14,093	\$ 3,499	\$ 3,604	\$ 579,130

See accompanying independent auditor’s report

City of Grundy Center - Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue											
	Emergency	Local Option Sales Tax	Urban Renewal Tax Increment	Community Betterment	Fire Department Trust	Library Trust	Park Board Trust	Community Center Trust	Ambulance Trust	Economic Development Trust	Debt Service	Total
Receipts												
Property tax	\$ 22,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,474	\$ 276,416
Tax increment financing	-	-	213,722	-	-	-	-	-	-	-	-	213,722
Other city tax	286	247,723	-	-	-	-	-	-	-	-	2,937	250,946
Intergovernmental	544	-	-	-	-	-	-	-	-	12,470	5,568	18,582
Miscellaneous	-	-	-	-	2,460	13,967	4,500	-	3,220	3,780	-	27,927
Total Receipts	23,772	247,723	213,722	-	2,460	13,967	4,500	-	3,220	16,250	261,979	787,593
Disbursements												
Operating:												
Public safety	-	-	-	-	-	-	-	-	821	-	-	821
Culture and recreation	-	-	-	-	-	25,794	838	-	-	-	-	26,632
Community and economic development	-	-	29,536	143,257	-	-	-	-	-	16,250	-	189,043
General government	-	-	-	2,080	-	-	-	-	-	-	-	2,080
Debt service	-	-	31,608	-	-	-	-	-	-	-	334,862	366,470
Total Disbursements	-	-	61,144	145,337	-	25,794	838	-	821	16,250	334,862	585,046
Excess (Deficiency) of Receipts Over (Under) Disbursements	23,772	247,723	152,578	(145,337)	2,460	(11,827)	3,662	-	2,399	-	(72,883)	202,547
Other Financing Sources (Uses)												
Transfers in	-	-	-	114,712	-	-	-	-	-	-	99,200	213,912
Transfers out	(90,000)	(247,723)	(99,200)	-	-	-	-	-	-	-	-	(436,923)
Total Other Financing Sources (Uses)	(90,000)	(247,723)	(99,200)	114,712	-	-	-	-	-	-	99,200	(223,011)
Change in Cash Balances	(66,228)	-	53,378	(30,625)	2,460	(11,827)	3,662	-	2,399	-	26,317	(20,464)
Cash Balances Beginning of Year	68,433	-	119,948	112,231	46,283	81,944	1,016	18,541	43,268	65	131,254	622,983
Cash Balances End of Year	\$ 2,205	\$ -	\$ 173,326	\$ 81,606	\$ 48,743	\$ 70,117	\$ 4,678	\$ 18,541	\$ 45,667	\$ 65	\$ 157,571	\$ 602,519
Cash Basis Fund Balances												
Restricted for:												
Urban renewal	\$ -	\$ -	\$ 173,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,326
Debt service	-	-	-	-	-	-	-	-	-	-	157,571	157,571
Other purposes	2,205	-	-	81,606	48,743	70,117	4,678	18,541	45,667	65	-	271,622
Total Cash Basis Fund Balances	\$ 2,205	\$ -	\$ 173,326	\$ 81,606	\$ 48,743	\$ 70,117	\$ 4,678	\$ 18,541	\$ 45,667	\$ 65	\$ 157,571	\$ 602,519

See accompanying independent auditor’s report

City of Grundy Center - Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Enterprise Funds

As of and for the year ended June 30, 2020

	<u>Sewer Sinking</u>	<u>Sanitation Reserve</u>	<u>Storm Sewer</u>	<u>Total</u>
Operating Receipts:				
Charges for Service	\$ -	\$ -	\$ 52,176	\$ 52,176
Operating Disbursements:				
Business Type Activities	2,115	-	37,630	39,745
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(2,115)</u>	<u>-</u>	<u>14,546</u>	<u>12,431</u>
Non-Operating Disbursements				
Debt service	(73,805)	-	-	(73,805)
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(75,920)</u>	<u>-</u>	<u>14,546</u>	<u>(61,374)</u>
Other Financing Sources (Uses)				
Interfund loan payment	-	-	(10,000)	(10,000)
Transfers in	76,320	-	-	76,320
Total Other Financing Sources (Uses)	<u>76,320</u>	<u>-</u>	<u>(10,000)</u>	<u>66,320</u>
Change in Cash Balances	400	-	4,546	4,946
Cash Balances Beginning of Year	6,915	216,492	57,946	281,353
Cash Balances End of Year	<u>\$ 7,315</u>	<u>\$ 216,492</u>	<u>\$ 62,492</u>	<u>\$ 286,299</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ 7,315	\$ -	\$ -	\$ 7,315
Restricted for capital projects	-	216,492	-	216,492
Unrestricted	-	-	62,492	62,492
Total Cash Basis Fund Balances	<u>\$ 7,315</u>	<u>\$ 216,492</u>	<u>\$ 62,492</u>	<u>\$ 286,299</u>

See accompanying independent auditor's report

City of Grundy Center - Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Notes and Bonds								
Corporate purpose and refunding bonds	November 1, 2010	3.40 - 3.75%	\$ 670,000	\$ 195,000	\$ -	\$ 30,000	\$ 165,000	\$ 6,998
Corporate purpose notes	November 4, 2013	3.00%	425,000	212,500	-	42,500	170,000	6,478
Refunding bonds, Series 2014A	June 12, 2014	2.15%	1,549,000	1,111,000	-	224,000	887,000	23,887
Loan guarantee	June 15, 2020	-	40,000	-	40,000	-	40,000	-
Total General Obligation Notes and Bonds				<u>\$1,518,500</u>	<u>\$ 40,000</u>	<u>\$ 296,500</u>	<u>\$1,262,000</u>	<u>\$ 37,363</u>
Urban Renewal Tax Increment Financing Revenue Bonds								
	December 30, 2010	5.38%	260,000	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 1,608</u>
Revenue Bonds								
Sewer revenue	February 26, 2008	3.00%	680,000	\$ 356,000	\$ -	\$ 35,000	\$ 321,000	\$ 6,230
Sewer revenue	November 18, 2016	1.75%	689,000	490,000	-	24,000	466,000	8,575
Total				<u>\$ 846,000</u>	<u>\$ -</u>	<u>\$ 59,000</u>	<u>\$ 787,000</u>	<u>\$ 14,805</u>

See accompanying independent auditor’s report.

City of Grundy Center – Bond and Note Maturities

June 30, 2020

General Obligation Notes and Bonds								
Year Ending June 30,	Corporate Purpose Series 2013A		Corporate Purpose & Refunding Series 2010A		Refunding, Series 2014A			
	Issued November 4, 2013		Issued November 1, 2010		Issued June 12, 2014			
	Interest		Interest		Interest			
	Rate	Principal	Rate	Principal	Rate	Principal	Total	
2021	3.00%	\$ 42,500	3.40%	\$ 30,000	2.15%	\$ 234,000	\$ 306,500	
2022	3.00%	42,500	3.40%	30,000	2.15%	240,000	312,500	
2023	3.00%	42,500	3.75%	35,000	2.15%	99,000	176,500	
2024	3.00%	42,500	3.75%	35,000	2.15%	102,000	179,500	
2025		-	3.75%	35,000	2.15%	105,000	140,000	
2026		-		-	2.15%	107,000	107,000	
		<u>\$ 170,000</u>		<u>\$ 165,000</u>		<u>\$ 887,000</u>	<u>\$ 1,222,000</u>	

Year Ending June 30,	Revenue Bonds					Total
	Sewer, Series 2008		Sewer, Series 2016			
	Issued February 26, 2008		Issued November 18, 2016			
	Interest Rate	Principal	Interest Rate	Principal		
2021	1.75%	\$ 36,000	1.75%	\$ 25,000	\$ 61,000	
2022	1.75%	37,000	1.75%	25,000	62,000	
2023	1.75%	38,000	1.75%	26,000	64,000	
2024	1.75%	40,000	1.75%	27,000	67,000	
2025	1.75%	41,000	1.75%	27,000	68,000	
2026	1.75%	42,000	1.75%	28,000	70,000	
2027	1.75%	43,000	1.75%	28,000	71,000	
2028	1.75%	44,000	1.75%	29,000	73,000	
2029		-	1.75%	29,000	29,000	
2030		-	1.75%	30,000	30,000	
2031		-	1.75%	30,000	30,000	
2032		-	1.75%	31,000	31,000	
2033		-	1.75%	32,000	32,000	
2034		-	1.75%	32,000	32,000	
2035		-	1.75%	33,000	33,000	
2036		-	1.75%	34,000	34,000	
		<u>\$ 321,000</u>		<u>\$ 466,000</u>	<u>\$ 787,000</u>	

See accompanying independent auditor’s report.

City of Grundy Center - Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$1,316,466	\$1,302,826	\$1,293,118	\$1,269,677	\$1,176,699	\$1,179,971	\$1,133,058	\$1,130,400	\$1,061,098	\$1,054,786
Tax increment financing	213,722	216,754	224,889	258,243	284,405	272,368	265,736	235,154	193,165	165,119
Other city tax	265,022	261,358	205,678	260,934	221,259	237,663	207,096	203,273	212,264	201,233
Licenses and permits	17,976	17,163	21,750	51,865	15,852	6,831	6,112	5,150	7,458	6,309
Use of money and property	121,881	122,165	155,326	107,242	97,730	45,428	45,742	52,389	58,075	28,188
Intergovernmental	1,044,754	725,115	526,387	458,338	415,769	344,764	353,476	291,317	306,946	282,953
Charges for services	27,632	50,236	55,740	42,600	109,442	88,640	97,096	112,683	136,366	130,002
Special assessments	-	-	-	-	-	529	-	-	25,000	2,962
Miscellaneous	116,459	219,026	146,458	155,687	177,025	119,739	129,522	114,955	131,488	254,532
Total Receipts	\$3,123,912	\$2,914,643	\$2,629,346	\$2,604,586	\$2,498,181	\$2,295,933	\$2,237,838	\$2,145,321	\$2,131,860	\$2,126,084
Disbursements:										
Operating:										
Public safety	\$ 678,930	\$ 466,066	\$ 413,051	\$ 482,895	\$ 474,553	\$ 412,042	\$ 396,734	\$ 349,363	\$ 350,478	\$ 342,692
Public works	565,490	649,193	462,353	562,010	546,293	398,972	418,222	448,640	456,596	420,649
Health and social services	-	550	495	1,355	1,120	2,125	1,440	2,320	2,320	2,320
Culture and recreation	557,386	466,441	492,534	413,471	396,786	437,465	393,896	376,270	401,495	412,746
Community and economic development	196,713	201,089	129,773	61,112	112,627	64,336	68,214	136,969	190,023	52,311
General government	307,619	322,432	263,712	363,274	384,597	229,018	248,921	218,402	215,398	208,024
Debt service	366,470	406,967	416,664	436,575	433,899	487,400	464,916	408,264	391,706	352,635
Capital projects	665,403	319,087	79,382	676,276	24,160	503,395	235,528	293,684	151,795	418,241
Total disbursements	\$3,338,011	\$2,831,825	\$2,257,964	\$2,996,968	\$2,374,035	\$2,534,753	\$2,227,871	\$2,233,912	\$2,159,811	\$2,209,618

See accompanying independent auditor's report.

City of Grundy Center

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
City of Grundy Center

I have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 23, 2020. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Grundy Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grundy Center's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Grundy Center's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Grundy Center's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-20, II-B-20 and II-C-20 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grundy Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and,

accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

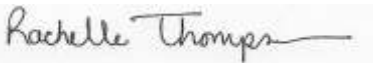
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Grundy Center's Responses to the Findings

The City of Grundy Center's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Grundy Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RACHELLE K. THOMPSON, CPA

Hampton, Iowa
December 23, 2020

City of Grundy Center – Schedule of Findings

June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements based on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which was material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

II-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal and reconciling the bank accounts. This individual also prepares and posts all adjusting journal entries.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Auditor's Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City's Response – We will consider this and attempt to segregate duties where possible.

Auditor's Conclusion – Response accepted.

City of Grundy Center – Schedule of Findings

June 30, 2020

II-B-20 Controls Over Utility Billings, Collections and Delinquent Accounts.

Criteria – Management is responsible for establishing and maintaining internal controls over utility billings, collection procedures and monitoring of delinquent accounts. These controls should be designed to ensure utilities are properly billed, collections are properly recorded and delinquent accounts are monitored.

Condition – The City of Grundy Center does not have an internal control system designed to monitor the billing and collection services provided by Grundy Center Municipal Utilities.

Cause – Grundy Center Municipal Utilities provides all services related to billing and collection of the City's utilities. The City does not have access to the billing software and do not receive detailed reports of the billing registers or collection reports. The City also does not have access to delinquent accounts listings or monitor procedures relating to the collection of delinquent accounts.

Effect – Inadequate controls over the utility billings and collections could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis.

Auditor's Recommendation – It is the responsibility of the City's management and those charged with governance to establish procedures and maintain internal controls over the utility billing and collection processes. The City should develop a working relationship with Grundy Center Municipal Utilities where the City has access to billing and collection reports or consider having City employees perform these utility billing and collection services.

City's Response – City Council and City Clerk have requested the utility billing, collection procedures and delinquent account reports on multiple occasions with no success. The City will create procedures with Grundy Center Municipal Utilities to ensure this is corrected.

Auditor's Conclusion – Response accepted.

II-C-20 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

City of Grundy Center – Schedule of Findings

June 30, 2020

Auditor's Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

City's Response – The City will continue working on procedures and create a reconciliation process.

Auditor's Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-20 Certified Budget** – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Auditor's Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City's Response – The budget will be amended in the future, if applicable.

Auditor's Conclusion – Response accepted.

- III-B-20 Questionable Disbursements** – No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-20 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-20 Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title / Business Connection	Transaction Description	Amount
Dave Stefl, Council Member		
Owner of Manly Drug	Medical supplies for Ambulance	\$ 6,007

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Council Member Stefl may represent a conflict of interest since total transactions were in excess of \$6,000 during the fiscal year and transactions were not competitively bid.

Auditor's Recommendation – The City should consult legal counsel to determine the disposition of this matter.

City's Response – Legal council will be consulted.

Auditor's Conclusion – Response accepted.

City of Grundy Center – Schedule of Findings

June 30, 2020

- III-E-20 Restricted Donor Activity** – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- III-F-20 Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-G-20 City Council Minutes** – No transactions were found that I believe should have been approved in the City Council minutes but were not.
- III-H-20 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-I-20 Revenue Notes** – No instances of non-compliance with the revenue bond resolutions were noted.
- III-J-20 Annual Urban Renewal Report (AURR)** – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1, however the beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the December 1, 2019 Levy Authority Summary of the AURR did not agree with the City's general ledger. Also, the receipts and disbursements reported did not agree with the City's records.

Auditor's Recommendation – The City should ensure cash balances, receipts and disbursements reported on the AURR Levy Authority Summary agree with the City's records.

City's Response – Balances have been corrected in the current year AURR prior to submittal.

Auditor's Conclusion – Response accepted.

- III-K-20 Payroll** – Although time sheets were maintained for all employees, however, some time cards were not signed by the employee and there was no indication these time sheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

Auditor's Recommendation – Time sheets should be signed by employees and reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review.

City's Response – The City will make necessary procedure changes to ensure this is corrected.

Auditor's Conclusion – Response accepted.